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**Full-size Transcript**

**Prepared by:**

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**GOVERNMENT  
EXHIBIT**

**3**

17-CR-64 (DWF/KMM)

1           A     No, I don't recall speaking to anybody that expressed  
2 those views.

3           Q     Do you recall anyone at Adams Monahan speaking with a  
4 shareholder of the Apollo companies who expressed disappointment  
5 or anger at the transaction?

6           A     Well, disappointment and anger being two things. I  
7 think disappointment at -- it wouldn't surprise me if someone  
8 expressed disappointment that the Apollo companies had yet to  
9 commercialize the technology, but I don't recall anyone being  
10 angry about it. I think everyone understood this was really  
11 leading edge, cutting edge science not proven in a commercial  
12 state. But because the potential was so large, I think there  
13 was disappointment, and that disappointment was throughout the  
14 organization, too, from Dr. Linares on down.

15          Q     How about any disappointment in the purchase price?

16          A     In the -- which purchase price, the stock purchase  
17 price or the -- are you going to the asset purchase price?

18          Q     The asset purchase agreement price, did any  
19 shareholders express disappointment or anger over the price that  
20 Private Scio was paying to obtain the assets of either Apollo  
21 Diamond, Incorporated or ADGC?

22          A     I'm unaware of anyone expressing disappointment over  
23 the asset purchase price because I believe most, if not all  
24 shareholders, understood they were going to own the same assets  
25 in a different capital structure, different company, so the

1 price almost was irrelevant.

2 Q Is that your understanding based on conversations with  
3 investors or just your understanding based on the transaction?

4 You know, I'm trying to separate like --

5 A Yes, I believe I did have conversations with investors,  
6 and they understood that, well, I'm going to own the same  
7 assets, but I don't have a company that's got, whatever, 80 some  
8 odd million shares outstanding, that's in debt, has no cash, and  
9 is controlled by a small group of people. It's a better  
10 situation. The investors in Apollo companies are successful  
11 people and understood business and this transaction. I believe  
12 on a large basis they understood it pretty well, and they could  
13 see the benefits of it.

14 Q Apart from the conversations you had with Apollo  
15 company shareholders, were you aware of any discussions that  
16 anyone else at Adams Monahan had with Apollo company  
17 shareholders that expressed disappointment or anger over the  
18 purchase price of the asset purchase agreement?

19 A I'm not aware, no.

20 Q Okay.

21 MR. KOPECKY: How many people voted against it?

22 THE WITNESS: Not many. Two.

23 MR. KOPECKY: And anyone could have voted against  
24 it?

25 THE WITNESS: Yes. Affirmatively voted against it

1 what they told you.

2 A I'm going to. What the Apollo shareholders were most  
3 excited about, what mattered to them is that the opportunity  
4 would live on, they would have a chance to own a part of a  
5 company that was going to exploit the technology, the diamond  
6 technology, and that they were going to own it in a company that  
7 was capitalized and had a myopic focus on manufacturing versus  
8 kind of research and development that Apollo had done a lot of  
9 over the years.

10 And that ability to own the assets in a new entity at  
11 no cost to them and in an entity that was free of debt or any  
12 other liabilities, had a new management team and a new focus was  
13 what they were really looking for. That was expressed to me.  
14 This is fantastic, we appreciate the opportunity you guys have  
15 facilitated for us to continue to own this diamond technology  
16 going forward, we realized it was dead but now it has life and  
17 we don't have to pay anything for it.

18 Q So the shareholders -- every shareholder you spoke with  
19 thought it was dead?

20 A Yes.

21 Q Okay.

22 A Yes. And none of them focused on ownership percentage,  
23 ultimate ownership percentage, and all of them are sophisticated  
24 investors and individuals that understood transactions change,  
25 dilution occurs when capital is raised, they understood that.

1 Q The 10-Q, I'm sorry.

2 A For the period ending 10-31-11, and that would also  
3 reflect the monies that Public Scio raised in the initial  
4 private offering at 70 cents per share, approximately six and a  
5 half million shares. So the capitalization table was 26 million  
6 for a round figure, it was below that.

7 Ultimately an additional 17 million shares were added  
8 to the capital table from Apollo Diamond, Inc. and Apollo  
9 Diamond Gemstone Corporation shareholders giving a fully  
10 capitalized table of 43 million shares, okay.

11 So a shareholder from Apollo who owned X percent in  
12 Apollo in a \$45 million capital structure owned certain assets  
13 in an entity with substantial liabilities and no cash and  
14 control in the hands of a few people and an illiquid stock in a  
15 privately held company. That same person who exercised his or  
16 her right to purchase the shares in Public Scio had an increased  
17 ownership percentage in an entity that owned the same assets  
18 with no debt, cash in the bank and liquidity. That person was  
19 much better off in Public Scio than they were in private Apollo  
20 Diamond, Inc. in March of 2011.

21 MR. WISNIEWSKI: And, Jim, I think maybe I  
22 misunderstood you. You said -- did you say the 10-K for  
23 3-31-11?

24 MR. KOPECKY: No, the 10-Q.

25 MR. WISNIEWSKI: Okay, I thought you said the K. I